

MIAMI BEACH

OFFICE OF THE CITY MANAGER

LTC #

070-2016

LETTER TO COMMISSION

TO: Mayor Philip Levine and Members of the City Commission

FROM: Jimmy L. Morales, City Manager

DATE: January 17, 2016

SUBJECT: **Finance Department - Centralized Accounts Payable**

Background

The City of Miami Beach Finance Department, in an effort to ensure best practices are in place and being adhered to, is contemplating the centralization of the City's accounts payable (AP) functions.

The Finance Department believes that a centralized AP section will lead to the more efficient processing of City invoices, along with cost savings for departments, and prompter payments for City vendors in compliance with the Florida Prompt Payment Act.

Current Scenario

Currently, the City has a decentralized system spread over several City facilities by department. This decentralized system has resulted in:

- Frequent vendor inquiries as business units have similar names and diverse locations, resulting in suppliers having difficulty determining where to send an invoice for payment.
- Suppliers and service providers often send separate invoices to each location and await payment from the same primary company, our City, but in multiple transactions, creating confusion and increasing costs on both sides of the transaction.
- Duplication of efforts by City staff, in addition to when multiple departments/locations pay bills, all of the people involved in processing the AP must receive proper training to understand and comply with our City's accounts payable processing guidelines.

The City established a decentralized AP system after the nation's economic downturn and financial crisis of 2007-08. This crisis resulted in our organization downsizing staff in order to make budgetary concessions. During this economic downturn, the Finance Department lost over 30% of their staff in order to meet mandatory budget cuts.

Proposed Solution

The City, by centralizing the handling and processing of payments, can save time and money through increased productivity and efficiency. With advances in technology, AP systems are now paperless with the electronic filing of invoices, in addition to the automatic electronic routing of approval queues.

By implementing a centralized AP system via the Finance Department, the aggregates of all of the City's AP functions could be unified together in one centralized location with one staffing group. One department would be responsible for ensuring payables are inputted, tracked and paid out of a centralized system. This system would lead to a higher level of productivity, efficiency and automation.

Currently each City department employs staff that process AP invoices and act as a liaison between vendors and the Finance Department. City departments, through the Finance Department AP section, have processed the following volume of payments during the last three fiscal years:

Accounts Payable Payments
Fiscal Years 2012/13 - 2014/15

Fiscal Year	No. of Payments
2012/13	15,546
2013/14	15,125
2014/15	16,085

The Finance Department believes that through the centralization of the City's payables processes into a shared payables service, the City will have opportunities to improve and streamline business processes via consistency and accountability.

Looking at optimum staffing levels required to meet the expected demand, the centralized payables section could be staffed with three current Finance Department AP employees, in addition to the possible absorption of two to three additional city staff members, currently performing payable functions at the departmental level. The proposed staffing requirements for the restructured AP Section are summarized below:

Proposed Centralized Accounts Payable Section Staffing Levels

Classification	Minimum Annual Rate	Maximum Annual Rate
1 Financial Analyst III *	\$65,762	\$107,570
2 Financial Analyst II	56,707	92,757
3 Financial Analyst I *	51,373	84,034
4 Financial Analyst I *	51,373	84,034
5 Financial Analyst I	51,373	84,034
6 Financial Analyst I	51,373	84,034
Total	\$327,961	\$536,463

* Current Finance Department Employees

Additionally, since three of the proposed centralized AP Section positions are currently filled and equipped with computers and telephones, equipment would only need to be purchased should the three additional proposed staff members not be able to bring their existing equipment. This would result in an approximate one-time start-up cost of \$11 thousand for hardware, computers, and telephones, broken down as follows:

Computers	\$9,000
Telephones and Headsets	\$2,000

Administration is proposing funding the new centralized AP section through a proportionate share based by volume of invoices as summarized in Exhibit A.

Conclusion

While the Administration is exploring the opportunity costs of centralizing our AP functions, it should be noted that the City, by consolidating the handling and processing of payments, can save time and money through increased productivity and efficiency.

Consolidation of the City's AP functions is the most effective use of employee productivity and leads to a streamlined approach to complying with the Prompt Payment act.

This option will afford the City Administration with the best allocation of resources to process payments, answer vendor phone calls, respond to vendor emails, and perform daily working functions, and most importantly, provide excellent customer service.

The Administration believes that implementing a centralized AP system coinciding with the anticipated April 2016 launch of our MUNIS ERP System, and more specifically our new AP module, would be an appropriate time with many economies of scale resulting in operational efficiencies.

Should you have any inquiries pertaining to this proposal, please feel free to contact me.


JLM/ARW/mm

We are committed to providing excellent public service and safety to all who live, work and play in our vibrant, tropical, historic community

Exhibit A

FY 2014/15 City of Miami Beach Invoices Paid by Department

<u>Department Name</u>	<u>No. of Invoices</u>	<u>% of Total City Invoices</u>	<u>Pro-rated Budget Centralized AP*</u>	<u>Total FY 2014/15 AP Payments</u>
Finance	4,351	14.45%	\$79,474.28	\$190,910,764.52
Property Management	3,474	11.54%	63,455.22	8,822,016.83
Police	3,373	11.20%	61,610.37	6,306,110.20
Parks & Recreation	2,723	9.04%	49,737.64	6,875,698.90
Parking	2,355	7.82%	43,015.84	11,143,700.28
Fire	2,321	7.71%	42,394.81	1,936,734.36
Public Works	1,937	6.43%	35,380.76	81,027,713.00
Fleet Management	1,250	4.15%	22,832.19	7,467,986.87
Information Technology	1,012	3.36%	18,484.94	10,525,392.28
Real Estate Housing & Community Dev	994	3.30%	18,156.16	2,708,050.58
City Attorney's Office	988	3.28%	18,046.56	1,882,361.11
Human Resources	871	2.89%	15,909.47	30,621,338.62
Tourism & Cultural Development	641	2.13%	11,708.35	11,798,312.94
Building	571	1.90%	10,429.74	1,937,822.02
Capital Improvements	561	1.86%	10,247.09	26,923,351.78
Sanitation	466	1.55%	8,511.84	4,685,126.79
Emergency Management	401	1.33%	7,324.57	2,854,397.85
City Clerk's Office	396	1.32%	7,233.24	746,328.99
City Manager's Office	340	1.13%	6,210.36	13,279,186.72
Purchasing	252	0.84%	4,602.97	132,570.01
Planning	210	0.70%	3,835.80	528,310.65
Mayor & City Commission	164	0.54%	2,995.58	281,638.14
Budget & Performance Improvement	151	0.50%	2,758.12	643,014.61
Transportation	120	0.40%	2,191.89	4,947,038.61
Code Compliance	102	0.34%	1,863.10	80,580.63
Employee Municipal Retirement Pension	41	0.14%	748.89	240,027.11
Fire & Police Pension	30	0.10%	547.97	242,455.18
Convention Center	<u>16</u>	<u>0.05%</u>	<u>292.25</u>	<u>2,210,438.87</u>
Total Invoices Paid in FY 2014/15	<u>30,111</u>	<u>100.00%</u>	<u>\$550,000.00</u>	<u>\$431,758,468.45</u>
Citywide P-Card Transactions FY 2014/15	<u>17,039</u>			<u>\$5,643,002.75</u>
Total AP Transactions FY 2014/15	<u>47,150</u>			<u>\$437,401,471.20</u>

* Calculated with a Proposed Centralized AP Annual Budget of: \$550,000.00